

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|-------------------------|--|------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name TOWNSHIP OF LAPEER | County LAPEER |
| Fiscal Year End 6/30/07 | Opinion Date 10/4/07 | Date Audit Report Submitted to State 10/10/07 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

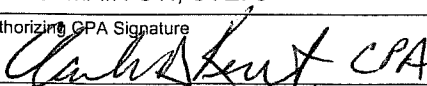
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|-------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) BROWN & KENT, PC | | Telephone Number 810-664-4470 | |
| Street Address 951 S. MAIN ST., STE. 3 | | City LAPEER | State MI |
| Zip 48446 | | | |
| Authorizing CPA Signature  | Printed Name CLARK D. KENT, CPA | License Number 1101018986 | |

**TOWNSHIP OF LAPEER
LAPEER, MICHIGAN**

**FINANCIAL REPORT WITH ADDITIONAL INFORMATION
FOR YEAR ENDED JUNE 30, 2007**

TOWNSHIP OF LAPEER

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BROWN & KENT, P.C.
Certified Public Accountants

951 S. Main St. • Suite 3 • Lapeer, MI • 48446 • (810) 664-4470 • Fax (810) 664-3601

INDEPENDENT AUDITORS' REPORT

To the Board Members
Township of Lapeer
Lapeer, MI 48446

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lapeer (the "Township"), Lapeer, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Lapeer, Lapeer, Michigan, at June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lapeer's basic financial statements. The accompanying other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brown & Kent, P.C.

Certified Public Accountants

October 4, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TOWNSHIP OF LAPEER
LAPEER COUNTY
LAPEER, MICHIGAN**

Management's Discussion and Analysis

As management of the Township of Lapeer, Lapeer County, Lapeer, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the Township's financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented herein in conjunction with the Township's financial statements.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements provide information about the activities of the Township, presenting a broad long-term overview of the Township's finances, in a manner similar to a private-sector business. This longer-term view uses the accrual basis of accounting, so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Net Assets and the Statement of Activities report the governmental activities for the Township, which encompasses all of the Township's services, including general government, public safety, public works and cemetery operations. Property taxes and unrestricted state-shared revenue finance most of these activities.

Reporting the Township's Most Significant Funds – Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds, not the Township as a whole.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law.

These fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

All of the funds of the Township can be divided into two categories:

- (1) Governmental Funds – Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements.
- (2) Fiduciary Funds – The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Township as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position.

The following table shows, in a condensed format, the Net Assets as of June 30, 2007.

| | June 30, 2007 | June 30, 2006 | Increase / (Decrease) |
|--------------------------------------|---------------|---------------|--------------------------|
| Assets | | | |
| Current Assets | \$ 1,313,367 | \$ 1,256,429 | \$ 56,938 |
| Capital Assets – Net of Depreciation | 667,949 | 706,801 | (38,852) |
| Total Assets | 1,981,316 | 1,963,230 | 18,086 |
| Liabilities | | | |
| Current Liabilities | 87,445 | 91,920 | (4,475) |
| Total Liabilities | 87,445 | 91,920 | (4,475) |
| Net Assets | | | |
| Invested in Capital Assets | 667,949 | 706,801 | (38,852) |
| Restricted | 34,372 | 34,372 | - |
| Unrestricted | 1,191,550 | 1,130,137 | 61,413 |
| Total Net Assets | \$ 1,893,871 | \$ 1,871,310 | \$ 22,561 |

The following table shows the changes of the net assets during the fiscal year ending June 30, 2007.

| | <u>June 30, 2007</u> | <u>June 30, 2006</u> | <u>Increase / (Decrease)</u> |
|------------------------------------|----------------------|----------------------|----------------------------------|
| Revenue | | | |
| Program Revenues | | | |
| Charges for Services | \$ 51,801 | \$ 87,773 | \$ (35,972) |
| General Revenue | | | |
| Property Taxes and Collection Fees | 363,744 | 331,666 | 32,078 |
| State-shared Revenue | 348,148 | 347,325 | 823 |
| Franchise Fees | 48,303 | 29,266 | 19,037 |
| Other Revenue | 102,213 | 86,211 | 16,002 |
| Total Revenue | 914,209 | 882,241 | 31,968 |
| Program Expenses | | | |
| General Government | 372,790 | 375,966 | (3,176) |
| Health and Welfare | 15,234 | 15,234 | - |
| Public Safety | 240,993 | 258,442 | (17,449) |
| Public Works | 246,978 | 71,000 | 175,978 |
| Cemetery | 15,653 | 11,699 | 3,954 |
| Total Program Expenses | 891,648 | 732,341 | 159,307 |
| Change in Net Assets | 22,561 | 149,900 | (127,339) |
| Net Assets – Beginning of year | <u>1,871,310</u> | <u>1,721,410</u> | <u>149,900</u> |
| Net Assets – End of year | <u>\$ 1,893,871</u> | <u>\$ 1,871,310</u> | <u>\$ 22,561</u> |

The Township's total governmental revenues, as reported in the Statement of Activities, totaled approximately \$914,000, up from the prior fiscal year. There was a significant decrease in charges for services, while other areas of revenue showed increases over the prior year. Total program expenses, as reported in the Statement of Activities, totaled approximately \$892,000, up from the prior fiscal year. There was a significant increase in public works due to some major roadwork within the Township.

The Township's Funds

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health. The analysis of the Township's major funds begins on page 4, following the government-wide financial statements.

The Township completed this year with a combined fund balance of \$1,225,922, an increase of \$61,413 from last year. The General Fund's fund balance increased \$179,364. The Capital Improvement Fund fund balance also showed an increase from the previous year, while the Revolving Improvement Fund fund balance decreased.

The General Fund accounts for most of the Township's government services. The most significant are fire protection, law enforcement, assessing, and roads. Management of these services is not supported by special millages, but through the general revenues of property taxes and state-shared revenue.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the Township had \$1,031,081 invested in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net decrease of \$482.

| | |
|-------------------------------|-------------------|
| Land and Improvements | \$ 437,934 |
| Buildings and Improvements | 484,775 |
| Equipment | 108,372 |
| Total Capital Assets | <u>1,031,081</u> |
| Less Accumulated Depreciation | 363,132 |
| Net Capital Assets | <u>\$ 667,949</u> |

Debt Administration

The Township has no long-term debt.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. There was a decrease of \$3,987 in total revenues budgeted, while there was a \$37,013 increase in total appropriations.

Economic Factors and Next Year's Budget

Because of the impact of Proposal A, the Headlee Amendment, increases in our contracts for services, unstable fuel prices and reports of decreased revenue sharing from the State of Michigan the Township must be vigilant in overseeing the budget.

The Township board is also continually striving to improve on our fire protection services. A grant is in process through the 2007 Assistance to Firefighters. The Township is required to contribute matching funds of approximately ten percent (10%) for installation of dry hydrants in up to ten locations throughout the Township. This will continue to improve available services to the residents of Lapeer Township.

The Township Hall and Community Building is aging and is now twenty years old. There are maintenance issues with the building that need to be addressed so that the building is maintained and kept safe. This requires that monies be spent from the Capital Improvement fund to maintain quality facilities.

Even though our Revenue Sharing Agreement (annexation) involving several parcels of land surrounding the I-69, M-24 corridor has been completed, we anticipate additional parcels that have already been negotiated and agreed upon to petition the Township for their annexation. Even though we have put policies in place to cover the expenses involved with future land transfers we expect legal and administrative fees to be incurred that will put an additional strain on our yearly budget.

While continuing to look ahead, we have started the process of updating our Lapeer Township Zoning Ordinance and Master Plan, while also preparing a Township Recreational Plan.

The Township's budget for 2007-2008 allows for the current services to continue; however, the conditions of some of the Township roads are continually monitored and addressed as our budget allows.

Contacting the Township's Management

This financial report is intended to provide our residents, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 1500 Morris Road, Lapeer, MI 48446.

BASIC FINANCIAL STATEMENTS

**TOWNSHIP OF LAPEER
STATEMENT OF NET ASSETS
JUNE 30, 2007**

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Current Assets | |
| Demand Deposits | \$ 8,730 |
| Savings Deposits | 54,895 |
| Certificates of Deposit | 542,023 |
| Investments | 586,689 |
| Petty Cash | 225 |
| Accounts Receivable - Fireruns | 26,648 |
| Accounts Receivable - Franchise Fees | 21,320 |
| Accounts Receivable - State Shared Revenue | 54,488 |
| Accounts Receivable - Other | 13,563 |
| Prepaid Expenditures | 4,786 |
| Total Current Assets | <u>1,313,367</u> |
| Capital Assets | |
| Land | 11,593 |
| Land Improvements, Net of Depreciation | 342,358 |
| Building and Improvements, Net of Depreciation | 279,543 |
| Equipment, Net of Depreciation | 34,455 |
| Total Capital Assets | <u>667,949</u> |
| TOTAL ASSETS | <u><u>\$ 1,981,316</u></u> |
| LIABILITIES | |
| Accounts Payable | \$ 60,217 |
| Accrued Payroll | 18,033 |
| Accrued Payroll Taxes | 5,124 |
| Accrued Pension | 4,071 |
| TOTAL LIABILITIES | <u>87,445</u> |
| NET ASSETS | |
| Invested in Capital Assets, Net of Related Debt | 667,949 |
| Restricted for: | |
| Permanent Fund - Perpetual Care Fund | 34,372 |
| Unrestricted | 1,191,550 |
| TOTAL NET ASSETS | <u>1,893,871</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 1,981,316</u></u> |

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER
STATEMENT OF ACTIVITIES
JUNE 30, 2007**

| | Functions / Programs | | | |
|------------------------------------|-------------------------|-----------------------|---------------------|---------------------|
| | Governmental Activities | | | |
| | General Government | Health and Welfare | Public Safety | Public Works |
| EXPENSES | | | | |
| Salaries and Benefits | \$ 197,911 | \$ - | \$ 92,257 | \$ - |
| Employment Taxes | 17,252 | - | - | - |
| Professional Services | 66,713 | - | 125,547 | - |
| Materials and Supplies | 9,083 | - | 5,991 | - |
| Repairs and Maintenance | 1,963 | - | 2,520 | - |
| Roads | - | - | - | 230,765 |
| Recycling | - | - | - | 1,215 |
| Street Lights | - | - | - | 9,208 |
| Other Program Expenses | 45,503 | 15,234 | 3,311 | 5,790 |
| Depreciation | 34,365 | - | 11,367 | - |
| TOTAL EXPENSES | 372,790 | 15,234 | 240,993 | 246,978 |
| PROGRAM REVENUES | | | | |
| Charges for Services | 8,341 | - | 35,113 | 1,518 |
| Operating Grants and Contributions | - | - | - | - |
| Capital Grants and Contributions | - | - | - | - |
| NET PROGRAM (EXPENSES) REVENUES | <u>\$ (364,449)</u> | <u>\$ (15,234)</u> | <u>\$ (205,880)</u> | <u>\$ (245,460)</u> |
| GENERAL REVENUES | | | | |
| Property Taxes | | | | |
| Collection Fees | | | | |
| State Shared Revenue | | | | |
| Property Transfer - City | | | | |
| Interest Income | | | | |
| Cable TV Franchise Fee | | | | |
| Hall Rental | | | | |
| Sale of Capital Assets | | | | |
| Miscellaneous | | | | |
| TOTAL GENERAL REVENUES | | | | |
| CHANGE IN NET ASSETS | | | | |
| NET ASSETS - BEGINNING | | | | |
| NET ASSETS - ENDING | | | | |

The accompanying notes are an integral part of the financial statements.

| | | Total | |
|----------|---------|--------------|-----------|
| Cemetery | | Governmental | |
| \$ | 1,232 | \$ | 291,400 |
| | - | | 17,252 |
| | 10,207 | | 202,467 |
| | 37 | | 15,111 |
| | 1,100 | | 5,583 |
| | - | | 230,765 |
| | - | | 1,215 |
| | - | | 9,208 |
| | 3,077 | | 72,915 |
| | - | | 45,732 |
| | 15,653 | | 891,648 |
| | 6,829 | | 51,801 |
| | - | | - |
| | - | | - |
| \$ | (8,824) | | (839,847) |

| |
|--------------|
| 318,960 |
| 44,784 |
| 348,148 |
| 18,887 |
| 64,361 |
| 48,303 |
| 4,000 |
| 63 |
| 14,902 |
| 862,408 |
| 22,561 |
| 1,871,310 |
| \$ 1,893,871 |

**TOWNSHIP OF LAPEER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

| | General Fund | Capital Improvement Fund | Revolving Improvement Fund |
|--|--------------------------|--------------------------------|----------------------------------|
| ASSETS | | | |
| Demand Deposits | \$ 8,730 | \$ - | \$ - |
| Savings Deposits | 20,123 | - | - |
| Certificates of Deposit | 542,023 | - | - |
| Investments | 117,146 | 141,249 | 328,294 |
| Petty Cash | 225 | - | - |
| Accounts Receivable - Other | 13,563 | - | - |
| Accounts Receivable - Fireruns | 26,648 | - | - |
| Accounts Receivable - Franchise Fees | 21,320 | - | - |
| Accounts Receivable - State Shared Revenue | 54,488 | - | - |
| Prepaid Expenses | 4,786 | - | - |
| TOTAL ASSETS | <u>\$ 809,052</u> | <u>\$ 141,249</u> | <u>\$ 328,294</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 60,217 | \$ - | \$ - |
| Accrued Expenses | 27,228 | - | - |
| TOTAL LIABILITIES | <u>87,445</u> | <u>-</u> | <u>-</u> |
| FUND EQUITY | | | |
| Fund Balance | | | |
| Unreserved - Undesignated | 721,607 | 141,249 | 328,294 |
| TOTAL FUND EQUITY | <u>721,607</u> | <u>141,249</u> | <u>328,294</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 809,052</u> | <u>\$ 141,249</u> | <u>\$ 328,294</u> |

The accompanying notes are an integral part of the financial statements.

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$ - | \$ 8,730 |
| 34,772 | 54,895 |
| - | 542,023 |
| - | 586,689 |
| - | 225 |
| - | 13,563 |
| - | 26,648 |
| - | 21,320 |
| - | 54,488 |
| - | 4,786 |
| <u>\$ 34,772</u> | <u>\$ 1,313,367</u> |
| \$ - | \$ 60,217 |
| - | 27,228 |
| - | 87,445 |
| 34,772 | 1,225,922 |
| 34,772 | 1,225,922 |
| <u>\$ 34,772</u> | <u>\$ 1,313,367</u> |

| Reconciliation of Total Governmental Funds Balances to Net Assets of Governmental Activities | |
|---|---------------------|
| Total Governmental Funds Balances | \$ 1,225,922 |
| Amounts reported for Governmental Activities in the Statement of Net Assets are different because: | |
| Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. | <u>667,949</u> |
| Net Assets of Governmental Activities | <u>\$ 1,893,871</u> |

TOWNSHIP OF LAPEER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2007

| | General Fund | Capital Improvement Fund | Revolving Improvement Fund |
|--|-------------------|--------------------------------|----------------------------------|
| REVENUES | | | |
| Taxes | \$ 363,744 | \$ - | \$ - |
| Licenses and Fees | 1,265 | - | - |
| Intragovernmental | 367,035 | - | - |
| Charges for Services | 45,538 | - | - |
| Fines and Forfeits | 4,998 | - | - |
| Sale of Capital Assets | 400 | - | - |
| Interest | 37,486 | 6,896 | 18,859 |
| Other Revenue | 66,357 | - | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUES | 886,823 | 6,896 | 18,859 |
| | <hr/> | <hr/> | <hr/> |
| EXPENDITURES | | | |
| General Government | 345,644 | - | - |
| Health and Welfare | 15,234 | - | - |
| Cemetery | 15,653 | - | - |
| Public Safety | 229,626 | - | - |
| Public Works | 246,978 | - | - |
| | <hr/> | <hr/> | <hr/> |
| TOTAL EXPENDITURES | 853,135 | - | - |
| | <hr/> | <hr/> | <hr/> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 33,688 | 6,896 | 18,859 |
| | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfers In | 220,676 | - | 75,000 |
| Operating Transfers Out | (75,000) | - | (218,706) |
| | <hr/> | <hr/> | <hr/> |
| TOTAL OTHER FINANCING SOURCES (USES) | 145,676 | - | (143,706) |
| | <hr/> | <hr/> | <hr/> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 179,364 | 6,896 | (124,847) |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCE - JULY 1, 2006 | 542,243 | 134,353 | 453,141 |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCE - JUNE 30, 2007 | <u>\$ 721,607</u> | <u>\$ 141,249</u> | <u>\$ 328,294</u> |

The accompanying notes are an integral part of the financial statements.

| Other Governmental Funds | Total Governmental Funds | Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | |
|--------------------------------|--------------------------------|---|-----------|
| \$ - | \$ 363,744 | Net Change in Fund Balance - | |
| - | 1,265 | Total Governmental Funds | \$ 61,413 |
| - | 367,035 | | |
| - | 45,538 | Amounts reported for Governmental Activities | |
| - | 4,998 | in the Statement of Activities are different | |
| - | 400 | because: | |
| 1,120 | 64,361 | Governmental Funds report capital outlays as | |
| 850 | 67,207 | expenditures. In the Statement of Activities, | |
| 1,970 | 914,548 | the cost of those assets is allocated over | |
| | | their estimated useful lives as depreciation | |
| - | 345,644 | expenses. This is the amount by which | |
| - | 15,234 | depreciation exceeded capital outlays in the | (38,515) |
| - | 15,653 | current period. | |
| - | 229,626 | Governmental Funds report the proceeds from | |
| - | 246,978 | the sale of Capital Assets. In the Statement | |
| | | of Activities, only the gain on the sale of these | |
| - | 853,135 | assets is reported. This is the amount by | |
| | | which the proceeds exceeded the gain in the | |
| 1,970 | 61,413 | current period. | (337) |
| | | Change in Net Assets of Governmental Activities | \$ 22,561 |
| - | 295,676 | | |
| (1,970) | (295,676) | | |
| (1,970) | - | | |
| - | 61,413 | | |
| 34,772 | 1,164,509 | | |
| \$ 34,772 | \$ 1,225,922 | | |

TOWNSHIP OF LAPEER
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2007

| | Trust and Agency Fund | Tax Collection Fund | Total Agency Funds |
|-----------------------------|--------------------------|------------------------|-----------------------|
| ASSETS | | | |
| Demand Deposits | \$ 64,584 | \$ - | \$ 64,584 |
| Delinquent Taxes Receivable | - | 11,988 | 11,988 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 64,584</u> | <u>\$ 11,988</u> | <u>\$ 76,572</u> |
| LIABILITIES | | | |
| Due to Others | \$ 64,584 | \$ 11,988 | \$ 76,572 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES | <u>\$ 64,584</u> | <u>\$ 11,988</u> | <u>\$ 76,572</u> |

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Township of Lapeer (the "Township"), conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of the Township are described below.

A. REPORTING ENTITY

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township. For the Township, this includes providing police protection, fire services, road maintenance and repairs, cemeteries, and planning and zoning. The Board of Trustees and the Township Administrator have direct responsibility for these activities.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority or the organization's governing board; and (1) the Township is able to significantly influence the programs or services performed or provided by the organization, or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organizations. Component units may also include organizations for which the Township authorizes the issuance of debt or the levying of taxes, or determines the budget.

Based on the aforementioned criteria, the Township of Lapeer has no component units.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include; (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

FUND FINANCIAL STATEMENTS

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Township has presented the following major governmental funds.

General Fund – The General Fund is the general operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Improvement Fund – The Capital Improvement Fund is used to set aside monies for the future construction of governmental capital assets. When items are constructed money is moved from this fund to the General Fund and expenditures are accounted for there.

Revolving Improvement Fund – The Revolving Improvement Fund is used to set aside monies for the future non-maintenance roadwork. When items are constructed money is moved from this fund to the General Fund and expenditures are accounted for there.

Additionally, the Township has two agency fiduciary funds as follows:

Trust and Agency Fund – This fund is used to account for the collection and disbursement of performance and other deposits payable.

Tax Collection Fund – This fund is used to account for the collection and disbursement of property taxes assessed within the Township.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time liability is incurred.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the Township are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

D. BUDGETS AND BUDGETARY ACCOUNTING

The Township Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the beginning of the fiscal year, the Board proposes an operating budget for each budgetary fund. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. State statute requires that the budget be submitted in summary form. Also, more detailed line item budgets are included for administrative control.
- (2) A public hearing is conducted to obtain taxpayer comment.
- (3) The budgets are adopted by a majority vote of the Township Board.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- (5) Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Amendments to the Budget are approved by the Township Board, as necessary.

E. CASH EQUIVALENTS

The Township considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

F. INVESTMENTS

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations.

H. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated Assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$500 or more for equipment and \$5,000 or more for non-equipment, and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|----------------------------|-------------|
| Buildings and Improvements | 5-50 years |
| Equipment | 5-20 years |
| Land Improvements | 15-20 years |

I. NET ASSETS

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

J. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds."

K. USE OF ESTIMATES

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS

All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2007

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (Continued)

STATUTORY AUTHORITY

Act 217, PA 1982, authorizes the Township to deposit and invest in:

- (1) Bonds and other direct obligations of the United States or its agencies,
- (2) Certificates of deposits, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations, or credit unions insured by the national credit union administration that are eligible to be a depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146), and
- (3) Mutual funds composed of investments, which are legal for direct investment of local government.

CASH AND EQUIVALENTS

A summary of cash and equivalents as of June 30, 2007 follows:

| | Carrying Value | Bank Balance | Covered By FDIC Insurance |
|------------------------|-------------------|-------------------|------------------------------|
| Demand Deposits | \$ 73,314 | \$ 77,895 | \$ 77,895 |
| Savings Deposits | 54,895 | 54,895 | 35,213 |
| Petty Cash | 225 | - | - |
| | <u>128,434</u> | <u>132,790</u> | <u>113,108</u> |
| Certificate of Deposit | 542,023 | 542,023 | 264,787 |
| | <u>\$ 670,457</u> | <u>\$ 674,813</u> | <u>\$ 377,895</u> |

Bank balance does not reflect deposits in transit or outstanding checks.

FDIC Regulation Number 330.8, provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000, in every financial institution that is not a branch location and that is a member of FDIC in the following deposit accounts:

- (1) All demand, non-interest bearing accounts (checking), in the name of the authorized or statutory custodian (treasurer) of public funds.
- (2) All savings deposits, which include regular passbook, daily interest savings, and time certificates of deposit in the name of the governmental unit's custodian.

INVESTMENTS

The Governmental Accounting Standards Board of the Financial Accounting Foundation Statement 3, includes the requirement that a government entity's investments be classified into three categories of credit risk. The categories are:

- (1) Insured or registered securities held by the government entity of its agent in the entity's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name; and

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2007**

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

The Township has invested \$563,226 with Comerica Bank in their Investment Fund and \$23,463 with LaSalle Bank in their State Shared Revenue Account. These mutual fund investments cannot be categorized, because they are not evidenced by securities that exist in physical or book entry form.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

| | Balance 7-01-06 | Additions | Deletions | Balance 6-30-07 |
|--|--------------------|-------------|-----------|--------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 11,593 | \$ - | \$ - | \$ 11,593 |
| Total Capital Assets not being Depreciated | 11,593 | - | - | 11,593 |
| Capital Assets being Depreciated | | | | |
| Land Improvements | 426,341 | - | - | 426,341 |
| Building and Improvements | 484,775 | - | - | 484,775 |
| Equipment | 108,854 | 7,217 | 7,699 | 108,372 |
| Total Capital Assets being Depreciated | 1,019,970 | 7,217 | 7,699 | 1,019,488 |
| Less Accumulated Depreciation for | | | | |
| Land Improvements | 63,537 | 20,446 | - | 83,983 |
| Building and Improvements | 192,489 | 12,743 | - | 205,232 |
| Equipment | 68,736 | 12,543 | 7,362 | 73,917 |
| Total Accumulated Depreciation | 324,762 | 45,732 | 7,362 | 363,132 |
| Total Capital Assets being Depreciated, Net | 695,208 | (38,515) | 337 | 656,356 |
| Total Government Assets, Net | \$ 706,801 | \$ (38,515) | \$ 337 | \$ 667,949 |

Depreciation expense was charged as direct expense to programs of the primary government as follows:

| | |
|----------------------------|-----------|
| General Government | \$ 34,365 |
| Public Safety | 11,367 |
| Total Depreciation Expense | \$ 45,732 |

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2007**

NOTE 4 – PROPERTY TAXES

The Township's property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2006 tax is levied and collectible on December 1, 2006, and is recognized as revenue in the year ended June 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled approximately \$192,371,000, on which taxes levied consisted of 1.6072 mills for operating purposes. This resulted in approximately \$309,000 for operating purposes. This amount was recognized in the General Fund financial statements as tax revenue.

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Operating transfers constitute the transfer of resources from the fund that received the resources to the fund that utilized them. The interfund transfers are as follows:

| <u>Fund</u> | <u>Operating Transfer In</u> | <u>Fund</u> | <u>Operating Transfer Out</u> |
|-----------------------|----------------------------------|-----------------------|-----------------------------------|
| Special Revenue - | | General Fund | \$ 75,000 |
| Capital Improvement | \$ - | Special Revenue - | |
| Revolving Improvement | 75,000 | Liquor Law | 854 |
| | | Disaster Contingency | 2 |
| | | Revolving Improvement | 218,706 |
| | | Permanent Fund - | |
| | | Cemetery | 1,114 |
| General Fund | <u>220,676</u> | | |
| Total | <u>\$ 295,676</u> | Total | <u>\$ 295,676</u> |

There were no interfund receivables or payables.

NOTE 6 – PENSION PLAN

The Township makes annual contributions to the Primerica Defined Contribution Plan for Governmental Employees for all eligible employees.

The Township contributed \$50,305 to the plan for the year ended June 30, 2007.

**TOWNSHIP OF LAPEER
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2007**

NOTE 7 – FIRE DEPARTMENT CONTRACT

The City of Lapeer provides fire department services to the Township of Lapeer. The City of Lapeer was paid a standby fee of \$51,500 for the period from July 1, 2006 through June 30, 2007. The City also charges additional fees for each fire run.

The additional fees are paid by the Township of Lapeer when billed by the fire departments. The Township then bills the person who was provided the fire run service.

NOTE 8 – MAINTENANCE AND PERFORMANCE GUARANTEE BONDS

In compliance with Township ordinances, a bond is required for a minimum of 6% of total site improvement costs. These costs are to be returned upon final approval. Cash that is received by the Township is recorded into the general fund Investment account and into the Due to Others account. The developer may obtain a jointly named certificate of deposit to comply with the bonding requirements. The certificates of deposit are not reflected in these basic financial statements, since the Township does not have custody or ownership of the funds.

NOTE 9 – RISK MANAGEMENT

The Township has exposure to risks of loss due to torts, errors and omissions, and property loss. The Township manages these risks by purchasing commercial insurance.

NOTE 10 – CONTINGENCIES

The Township is involved in Michigan Tax Tribunal cases involving several years of property tax appeals by Detroit Edison and Consumers Energy. If the plaintiffs were successful, there would be a partial refund. The probability of an unfavorable outcome cannot be determined, at this time. Accordingly, no accrual has been made.

The Township is also continuously involved in District Court ordinance enforcement actions. These District Court matters do not involve costs to the Township beyond prosecution expenses.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|----------------------------------|------------------|------------|------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| TAXES | | | | |
| Property Taxes | \$ 303,793 | \$ 287,993 | \$ 318,960 | \$ 30,967 |
| Collection Fees and Penalties | 36,000 | 36,000 | 44,784 | 8,784 |
| TOTAL TAXES | 339,793 | 323,993 | 363,744 | 39,751 |
| LICENSES, PERMITS AND FEES | | | | |
| Development Fees | 2,500 | 2,500 | 1,215 | (1,285) |
| Business Licenses | 50 | 50 | 50 | - |
| TOTAL LICENSES, PERMITS AND FEES | 2,550 | 2,550 | 1,265 | (1,285) |
| INTERGOVERNMENTAL | | | | |
| State Revenue Sharing | 300,000 | 313,415 | 348,148 | 34,733 |
| City Property Transfer | 21,000 | 18,885 | 18,887 | 2 |
| TOTAL INTERGOVERNMENTAL | 321,000 | 332,300 | 367,035 | 34,735 |
| CHARGES FOR SERVICES | | | | |
| Cemetery | 6,000 | 6,000 | 6,829 | 829 |
| Firerun Fees and Fines | 50,000 | 40,000 | 31,313 | (8,687) |
| Special Assessments | 1,100 | 1,100 | 1,518 | 418 |
| Special Meetings | 2,500 | 2,500 | 5,878 | 3,378 |
| TOTAL CHARGES FOR SERVICES | 59,600 | 49,600 | 45,538 | (4,062) |
| FINES AND FORFEITS | | | | |
| Penal Fines | 3,000 | 3,000 | 4,998 | 1,998 |
| TOTAL FINES AND FORFEITS | 3,000 | 3,000 | 4,998 | 1,998 |
| MISCELLANEOUS SOURCES | | | | |
| Interest Earned | 10,000 | 25,000 | 37,486 | 12,486 |
| Township Hall Rental | 4,000 | 4,000 | 4,000 | - |
| Cable TV | 20,000 | 20,000 | 48,303 | 28,303 |
| Sale of Fixed Assets | - | - | 400 | 400 |
| Other Revenue | 7,750 | 3,263 | 14,054 | 10,791 |
| TOTAL MISCELLANEOUS SOURCES | 41,750 | 52,263 | 104,243 | 51,980 |
| TOTAL REVENUES | 767,693 | 763,706 | 886,823 | 123,117 |

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|-----------------------------------|------------------|----------|----------|---|
| | Original | Final | | |
| EXPENDITURES | | | | |
| GENERAL GOVERNMENT | | | | |
| TRUSTEE | | | | |
| Salaries | \$ 9,816 | \$ 9,816 | \$ 9,536 | \$ 280 |
| Health Insurance | 800 | 800 | 726 | 74 |
| Employers Life Insurance | 1,375 | 1,375 | 1,372 | 3 |
| Professional Services | - | - | - | - |
| Membership and Subscriptions | 4,200 | 4,200 | 3,158 | 1,042 |
| Conferences and Education | 500 | 500 | 76 | 424 |
| Community Promotion | 275 | 275 | 200 | 75 |
| TOTAL TRUSTEE | 16,966 | 16,966 | 15,068 | 1,898 |
| SUPERVISOR | | | | |
| Salaries | 25,886 | 25,886 | 25,886 | - |
| Health Insurance | 4,300 | 4,390 | 4,756 | (366) |
| Employers Life Insurance | 80 | 80 | 80 | - |
| Conferences and Education | 500 | 410 | 189 | 221 |
| TOTAL SUPERVISOR | 30,766 | 30,766 | 30,911 | (145) |
| COMMITTEE | | | | |
| Wages Per Diem | 1,500 | 3,016 | 2,774 | 242 |
| Conferences and Education | 200 | 300 | 267 | 33 |
| TOTAL COMMITTEE | 1,700 | 3,316 | 3,041 | 275 |
| ELECTIONS | | | | |
| Wages Per Diem | 4,500 | 5,150 | 5,137 | 13 |
| Office Supplies | 750 | 700 | 422 | 278 |
| Professional Services | 1,500 | 372 | 240 | 132 |
| Publishing and Newspaper | 300 | 428 | 427 | 1 |
| Equipment and Hardware | 1,000 | - | - | - |
| TOTAL ELECTIONS | 8,050 | 6,650 | 6,226 | 424 |
| AUDITOR | | | | |
| Professional Services | 6,000 | 6,325 | 6,325 | - |
| TOTAL AUDITOR | 6,000 | 6,325 | 6,325 | - |
| ASSESSOR | | | | |
| Office Supplies | 100 | 100 | 65 | 35 |
| Postage and Mailings | - | 1,325 | 1,318 | 7 |
| Operating Supplies and Maps | 1,250 | 600 | 125 | 475 |
| Professional and Contract Service | 31,675 | 31,675 | 31,673 | 2 |

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--------------------------------|------------------|--------|--------|---|
| | Original | Final | | |
| EXPENDITURES (Continued) | | | | |
| GENERAL GOVERNMENT (Continued) | | | | |
| ASSESSOR (Continued) | | | | |
| County Contract | \$ 1,500 | \$ 500 | \$ - | \$ 500 |
| Software | 1,000 | 1,000 | 995 | 5 |
| TOTAL ASSESSOR | 35,525 | 35,200 | 34,176 | 1,024 |
| ATTORNEY | | | | |
| Professional Services | 14,550 | 20,050 | 19,578 | 472 |
| TOTAL ATTORNEY | 14,550 | 20,050 | 19,578 | 472 |
| CLERK | | | | |
| Salaries | 35,480 | 36,480 | 36,480 | - |
| Deputy | 2,000 | 2,000 | 1,486 | 514 |
| Health Insurance | 2,500 | - | - | - |
| Employers Life Insurance | 80 | 80 | 80 | - |
| Conferences and Education | 1,500 | 1,500 | 865 | 635 |
| Software | 200 | 200 | 199 | 1 |
| TOTAL CLERK | 41,760 | 40,260 | 39,110 | 1,150 |
| GENERAL OFFICE | | | | |
| Hourly Wages | 21,050 | 21,050 | 18,792 | 2,258 |
| Employers Life Insurance | 80 | 80 | 80 | - |
| Office Supplies | 1,700 | 2,200 | 1,805 | 395 |
| Postage | 4,000 | 4,800 | 4,767 | 33 |
| Operating Supplies | 1,500 | 1,500 | 1,441 | 59 |
| Professional Services | 3,500 | 3,000 | 1,868 | 1,132 |
| Telephone | 3,500 | 3,500 | 3,669 | (169) |
| Conferences and Education | 100 | 100 | - | 100 |
| Publishing and Newspaper | 2,000 | 1,600 | 1,078 | 522 |
| Printing and Ordinances | 1,500 | 1,100 | 59 | 1,041 |
| Maintenance and Repairs | 3,000 | 1,600 | 218 | 1,382 |
| Miscellaneous | 150 | 150 | 115 | 35 |
| Hardware | - | 2,000 | 1,800 | 200 |
| Office Furniture and Equipment | 4,000 | 5,619 | 4,871 | 748 |
| TOTAL GENERAL OFFICE | 46,080 | 48,299 | 40,563 | 7,736 |
| BOARD OF REVIEW | | | | |
| Wages Per Diem | 1,500 | 1,500 | 1,200 | 300 |
| Conferences and Education | 250 | 250 | 162 | 88 |
| Publishing and Newspaper | 100 | 100 | 90 | 10 |
| TOTAL BOARD OF REVIEW | 1,850 | 1,850 | 1,452 | 398 |

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--------------------------------|------------------|-----------|-----------|---|
| | Original | Final | | |
| EXPENDITURES (Continued) | | | | |
| GENERAL GOVERNMENT (Continued) | | | | |
| TREASURER | | | | |
| Salaries | \$ 27,900 | \$ 27,900 | \$ 27,900 | \$ - |
| Deputy | 4,000 | 4,231 | 4,230 | 1 |
| Employers Life Insurance | 120 | 120 | 116 | 4 |
| Office Supplies | 500 | 525 | 524 | 1 |
| County Contract Expense | 200 | 200 | 65 | 135 |
| Conferences and Education | 1,500 | 1,500 | 1,228 | 272 |
| Property Tax Chargebacks | 200 | 447 | 447 | - |
| Software | 650 | 670 | 670 | - |
| TOTAL TREASURER | 35,070 | 35,593 | 35,180 | 413 |
| TOWNSHIP HALL GROUNDS | | | | |
| Salaries | 7,100 | 7,100 | 6,975 | 125 |
| Operating Supplies | 1,000 | 1,000 | 783 | 217 |
| Professional Services | 3,000 | 3,000 | 2,505 | 495 |
| Contractual Mowing | 2,800 | 2,800 | 2,140 | 660 |
| Contractual Snow Removal | 2,500 | 2,500 | 2,385 | 115 |
| Electricity | 3,700 | 3,400 | 3,224 | 176 |
| Utilities - Gas and Oil | 6,000 | 4,600 | 3,582 | 1,018 |
| Maintenance and Repairs | 5,000 | 3,500 | 1,745 | 1,755 |
| Lease Security Systems | 1,200 | 1,200 | 1,161 | 39 |
| Land Improvements | 1,000 | 1,000 | - | 1,000 |
| Building Improvements | 5,000 | 5,000 | 589 | 4,411 |
| Office Equipment and Furniture | 250 | 250 | 660 | (410) |
| TOTAL TOWNSHIP HALL GROUNDS | 38,550 | 35,350 | 25,749 | 9,601 |
| OTHER GENERAL GOVERNMENT | | | | |
| Township Pension | 50,000 | 65,192 | 50,305 | 14,887 |
| Pension Administration | 1,500 | 3,430 | 3,542 | (112) |
| Insurance Premium | 25,000 | 25,000 | 17,166 | 7,834 |
| Township Social Security | 14,842 | 14,960 | 13,982 | 978 |
| Township Medicare | 3,472 | 3,499 | 3,270 | 229 |
| TOTAL OTHER GENERAL GOVERNMENT | 94,814 | 112,081 | 88,265 | 23,816 |
| TOTAL GENERAL GOVERNMENT | 371,681 | 392,706 | 345,644 | 47,062 |
| HEALTH AND WELFARE | | | | |
| Ambulance | 15,250 | 15,250 | 15,234 | 16 |
| TOTAL HEALTH AND WELFARE | 15,250 | 15,250 | 15,234 | 16 |

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--------------------------------------|------------------|----------|----------|---|
| | Original | Final | | |
| EXPENDITURES (Continued) | | | | |
| GENERAL GOVERNMENT (Continued) | | | | |
| CEMETERY | | | | |
| Sexton Wages | \$ 4,000 | \$ 1,700 | \$ 1,232 | \$ 468 |
| Office Supplies | 100 | 100 | - | 100 |
| Operating Supplies | 500 | 400 | 37 | 363 |
| Professional Services | 1,000 | 250 | 35 | 215 |
| Contractual Mowing | 7,000 | 9,700 | 10,172 | (472) |
| Contractual Snow Removal | 250 | 250 | - | 250 |
| Opening, Closing and Foundations | 2,500 | 3,300 | 2,732 | 568 |
| Conferences and Education | 100 | 100 | - | 100 |
| Utilities | 150 | 150 | 111 | 39 |
| Repair and Maintenance | 500 | 500 | 234 | 266 |
| Building and Grounds Improvements | 1,000 | 1,100 | 1,100 | - |
| Equipment | 500 | 50 | - | 50 |
| TOTAL CEMETERY | 17,600 | 17,600 | 15,653 | 1,947 |
| PUBLIC SAFETY | | | | |
| LAW ENFORCEMENT | | | | |
| Hourly Wages | 75,000 | 75,761 | 76,798 | (1,037) |
| Wages - Crossing Guard | 4,500 | 4,500 | 4,460 | 40 |
| Employers Life Insurance | 850 | 850 | 816 | 34 |
| Operating Supplies | 1,000 | 1,000 | 443 | 557 |
| Operating Supplies - Gas | 6,000 | 5,380 | 5,547 | (167) |
| Other Professional Services | - | 1,285 | 1,309 | (24) |
| Membership Subscriptions | 1,200 | 865 | 1,012 | (147) |
| Conferences and Education | 750 | 750 | 561 | 189 |
| Maintenance and Repairs | 2,500 | 3,500 | 2,520 | 980 |
| Equipment and Hardware | 500 | 335 | - | 335 |
| TOTAL LAW ENFORCEMENT | 92,300 | 94,226 | 93,466 | 760 |
| FIRE SERVICE | | | | |
| Professional Services - Fire Service | 175,000 | 125,000 | 109,168 | 15,832 |
| Conferences and Education | - | - | - | - |
| Operating Expense | 400 | 400 | 88 | 312 |
| TOTAL FIRE SERVICE | 175,400 | 125,400 | 109,256 | 16,144 |
| INSPECTION | | | | |
| Prof. Services - Code Enforcement | 1,000 | 1,000 | 321 | 679 |
| TOTAL INSPECTION | 1,000 | 1,000 | 321 | 679 |

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|------------------|-----------------|---|
| | Original | Final | | |
| EXPENDITURES (Continued) | | | | |
| PUBLIC SAFETY (Continued) | | | | |
| PLANNING | | | | |
| Wages Per Diem | \$ 10,200 | \$ 10,200 | \$ 8,546 | \$ 1,654 |
| Operating Supplies | 100 | 100 | - | 100 |
| Professional Services | 18,000 | 18,000 | 9,850 | 8,150 |
| Professional Services - Twp. Engineering | 5,000 | 4,840 | 4,900 | (60) |
| Membership and Subscriptions | 400 | 960 | 960 | - |
| Conferences and Education | 500 | 100 | 94 | 6 |
| Publishing and Newspaper | 500 | 500 | 267 | 233 |
| TOTAL PLANNING | <u>34,700</u> | <u>34,700</u> | <u>24,617</u> | <u>10,083</u> |
| ZONING | | | | |
| Wages Per Diem | 3,000 | 3,000 | 1,637 | 1,363 |
| Membership Subscriptions | 50 | 50 | - | 50 |
| Conferences and Education | 100 | 100 | 50 | 50 |
| Publishing and Newspaper | - | 250 | 279 | (29) |
| TOTAL ZONING | <u>3,150</u> | <u>3,400</u> | <u>1,966</u> | <u>1,434</u> |
| TOTAL PUBLIC SAFETY | <u>306,550</u> | <u>258,726</u> | <u>229,626</u> | <u>29,100</u> |
| PUBLIC WORKS | | | | |
| Drains at Large | 800 | 800 | 500 | 300 |
| Recycling | 1,800 | 1,800 | 1,215 | 585 |
| Roads | 210,000 | 294,600 | 230,765 | 63,835 |
| Street Lights | 10,000 | 10,000 | 9,208 | 792 |
| Transportation | 5,300 | 5,300 | 5,290 | 10 |
| Capital Outlays | 4,000 | 4,000 | - | 4,000 |
| TOTAL PUBLIC WORKS | <u>231,900</u> | <u>316,500</u> | <u>246,978</u> | <u>69,522</u> |
| CONTINGENCY | <u>25,000</u> | <u>4,212</u> | <u>-</u> | <u>4,212</u> |
| TOTAL EXPENDITURES | <u>967,981</u> | <u>1,004,994</u> | <u>853,135</u> | <u>151,859</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(200,288)</u> | <u>(241,288)</u> | <u>33,688</u> | <u>274,976</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating Transfers In | 180,650 | 234,152 | 220,676 | (13,476) |
| Operating Transfers Out | <u>(25,000)</u> | <u>(75,000)</u> | <u>(75,000)</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>155,650</u> | <u>159,152</u> | <u>145,676</u> | <u>(13,476)</u> |

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|--------------------|--------------------|-------------------|---|
| | Original | Final | | |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$ (44,638)</u> | <u>\$ (82,136)</u> | \$ 179,364 | <u>\$ 261,500</u> |
| FUND BALANCE - JULY 1, 2006 | | | <u>542,243</u> | |
| FUND BALANCE - JUNE 30, 2007 | | | <u>\$ 721,607</u> | |

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
FOR YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|-----------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Interest | \$ 2,500 | \$ 2,500 | \$ 6,896 | \$ 4,396 |
| TOTAL REVENUES | <u>2,500</u> | <u>2,500</u> | <u>6,896</u> | <u>4,396</u> |
| EXPENDITURES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>2,500</u> | <u>2,500</u> | <u>6,896</u> | <u>4,396</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating Transfers In | - | - | - | - |
| Operating Transfers Out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$ 2,500</u> | <u>\$ 2,500</u> | <u>6,896</u> | <u>\$ 4,396</u> |
| FUND BALANCE - JULY 1, 2006 | | | <u>134,353</u> | |
| FUND BALANCE - JUNE 30, 2007 | | | <u>\$ 141,249</u> | |

See Notes to Required Supplemental Information.

TOWNSHIP OF LAPEER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
REVOLVING IMPROVEMENT FUND
FOR YEAR ENDED JUNE 30, 2007

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|---------------------|---------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Interest | \$ 8,000 | \$ 8,000 | \$ 18,859 | \$ 10,859 |
| TOTAL REVENUES | <u>8,000</u> | <u>8,000</u> | <u>18,859</u> | <u>10,859</u> |
| EXPENDITURES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>8,000</u> | <u>8,000</u> | <u>18,859</u> | <u>10,859</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating Transfers In | 25,000 | 75,000 | 75,000 | - |
| Operating Transfers Out | <u>(183,000)</u> | <u>(233,500)</u> | <u>(218,706)</u> | <u>14,794</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(158,000)</u> | <u>(158,500)</u> | <u>(143,706)</u> | <u>14,794</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>\$ (150,000)</u> | <u>\$ (150,500)</u> | <u>(124,847)</u> | <u>\$ 25,653</u> |
| FUND BALANCE - JULY 1, 2006 | | | <u>453,141</u> | |
| FUND BALANCE - JUNE 30, 2007 | | | <u>\$ 328,294</u> | |

See Notes to Required Supplemental Information.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

**TOWNSHIP OF LAPEER
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
FOR YEAR ENDED JUNE 30, 2007**

BUDGETARY INFORMATION

The annual budget is prepared by the Township supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board.

The budget has been prepared in accordance with generally accepted accounting principles for the General Fund and all Special Revenue Funds.

The budget has been adopted on a line item basis. Comparison of actual results of operations to the budgets of the General Fund and Major Special Revenue Funds, as adopted by the Township Board, are included in the Required Supplemental Information of the basic financial statements. A comparison of the actual results of operations to the Non-major Special Revenue Funds budgets, as adopted by the Township, is included in the Other Supplemental Information section of the financial statements.

EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS

The Township had material expenditure budget overruns as follows:

| <u>Fund and Activity</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------|---------------|---------------|-----------------|
| NONE FOUND | | | |

OTHER SUPPLEMENTAL INFORMATION

**TOWNSHIP OF LAPEER
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

| | Special Revenue Funds | | Permanent Fund | Total Non-major Governmental Funds |
|---------------------------|---------------------------------|-----------------------------------|---------------------------|--|
| | Disaster Contingency Fund | Liquor Law Enforcement Fund | Cemetery Trust Fund | |
| ASSETS | | | | |
| Savings Deposits | \$ 300 | \$ 100 | \$ 34,372 | \$ 34,772 |
| TOTAL ASSETS | <u>\$ 300</u> | <u>\$ 100</u> | <u>\$ 34,372</u> | <u>\$ 34,772</u> |
| FUND EQUITY | | | | |
| Fund Balance | | | | |
| Unreserved - Undesignated | \$ 300 | \$ 100 | \$ 34,372 | \$ 34,772 |
| TOTAL FUND EQUITY | <u>\$ 300</u> | <u>\$ 100</u> | <u>\$ 34,372</u> | <u>\$ 34,772</u> |

**TOWNSHIP OF LAPEER
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2007**

| | Special Revenue Funds | | Permanent Fund | Total Non-major Governmental Funds |
|---|---------------------------------|-----------------------------------|---------------------------|--|
| | Disaster Contingency Fund | Liquor Law Enforcement Fund | Cemetery Trust Fund | |
| REVENUES | | | | |
| Miscellaneous | \$ - | \$ 850 | \$ - | \$ 850 |
| Interest | 2 | 4 | 1,114 | 1,120 |
| TOTAL REVENUES | <u>2</u> | <u>854</u> | <u>1,114</u> | <u>1,970</u> |
| EXPENDITURES | <u>-</u> | <u>-</u> | <u>-</u> | |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | <u>2</u> | <u>854</u> | <u>1,114</u> | <u>1,970</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating Transfers In | - | - | - | - |
| Operating Transfers Out | <u>(2)</u> | <u>(854)</u> | <u>(1,114)</u> | <u>(1,970)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(2)</u> | <u>(854)</u> | <u>(1,114)</u> | <u>(1,970)</u> |
| EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | - | - | - | - |
| FUND BALANCE - JULY 1, 2006 | <u>300</u> | <u>100</u> | <u>34,372</u> | <u>34,772</u> |
| FUND BALANCE - JUNE 30, 2007 | <u>\$ 300</u> | <u>\$ 100</u> | <u>\$ 34,372</u> | <u>\$ 34,772</u> |



BROWN & KENT, P.C.

Certified Public Accountants

951 S. Main St. • Suite 3 • Lapeer, MI • 48446 • (810) 664-4470 • Fax (810) 664-3601

To the Board
Township of Lapeer
Lapeer, MI 48446

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lapeer (the "Township"), as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that we consider to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be control deficiencies or material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the Board, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Board for the opportunity to serve as auditors for the Township of Lapeer. Please contact us, if you have any questions regarding these or any other matters.

Brown & Kent, P.C.

Certified Public Accountants

October 4, 2007